National Alliance of Healthcare Purchaser Coalitions
Driving Health, Equity and Value

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President of the United States
The White House
Washington, DC 20500

The Honorable John Thune
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Mr. President and Congressional Leaders:

Over the past two decades, the cost of healthcare for employers offering coverage has more than doubled, while out-of-pocket costs for employees is three times higher than it was in 2005 according to the Kaiser Family Foundation 2024 employer health benefits survey. While broad price inflation has been at the center of political discourse for the past several years, there is no sector of the economy that has seen higher or longer-lasting inflation than the healthcare industry. Among your other priorities, we urge you to focus on providing real relief to America's employers and working families that struggle every day to afford healthcare.

The incoming Administration and 119th Congress has a unique opportunity to implement several critical healthcare reforms that would preserve what currently works well in our system and make significant improvements in areas where misaligned incentives have caused runaway increases in healthcare costs without any improvement in individual or population health. As employer plan-sponsors, we have a front row seat to how these misaligned incentives and lack of coherent federal policy have had damaging effects on our ability to provide healthcare benefits to more than 100 million employees and their families who receive healthcare coverage though their employers.

The National Alliance of Healthcare Purchaser Coalitions is the only nonprofit, purchaser-led coalition with a national and regional reach. The breadth and diversity of our talent pool across the coalition network aligns to amplify the collective voice of the employer/purchaser and accelerate improvements in health, equity and value across the country. For over 30 years, the National Alliance has brought together coalitions and their employer/purchaser members to develop strategies that improve healthcare nationwide. Members represent private and public sector, nonprofit, and union organizations that provide health benefits for more than 45 million Americans spending over $400 billion annually.

We respectfully offer the following recommendations to the administration as it develops its healthcare policy agenda:

Defend ERISA Preemption

First and foremost, we strongly urge the Administration and Congress to ensure ERISA preemption remains firmly in place. Enacted more than 50 years ago, the Employee Retirement Income Security Act (ERISA) provides a uniform national regulatory framework for self-insured employers offering healthcare coverage to their employees and their families. ERISA's preemption of state laws provides self-insured organizations significant flexibility in plan design. The law places fiduciary responsibility on employer plan sponsors to act in the best interests of their enrollees - providing critical accountability in the system. As the cost of healthcare continues to rise, both employer plan sponsors and the families they cover require flexibility to design plans that meet their needs. ERISA preemption provides a strong foundation, especially in the increasingly fluid post-COVID job market where increasing numbers of employees work remotely – often in states different than their employers' domicile.

Eroding ERISA preemption and allowing states to step into the role of primary regulators of employee health benefits would result in a patchwork of 50+ different regulatory schemes – an unworkable framework that would erode employee benefits for more than four-in-ten American families. While we support states' efforts to reduce healthcare costs in areas where federal law does not apply, we are concerned that some states have sought to pass legislation that would directly regulate self-insured plan sponsors – a clear violation of ERISA. **The administration should continue to defend ERISA preemption, and we urge Congress to avoid any legislation – however well-meaning – that would erode ERISA's current preemption framework.**

Ensure Data Access and Transparency

One of the fundamental economic distortions driving healthcare inflation is the lack of access to real data for employers and purchasers – the end "payers" of healthcare in most of the commercial sector. In 2020, you signed legislation – the Consolidated Appropriations Act – that banned "gag clauses" in health plan contracts that would prohibit employers from accessing their claims data. And yet four years later, many self-insured employers continue to be thwarted in their attempts to access their own data to understand how to better design plans to meet the needs of their enrollees.

We strongly urge the implementation of requirements that would explicitly mandate health plans to provide all purchasers with full and unfettered access to their claims data without any restriction. This data should be independently auditable and provided in a meaningful format. Without access to meaningful cost and quality data, other healthcare payment and delivery system reforms – which we support and are discussed further below – are impossible. Real access to claims data will enable employers and purchasers to make informed decisions regarding plan and network design and to negotiate for better prices.

Employers are similarly frustrated by hospitals' lack of universal compliance with the hospital transparency rule the first Trump Administration propagated more than five years ago, and which has legally been in effect for more than four years. Despite having years to come into full compliance, thousands of hospitals are not in full compliance with the rule.[1] Unfortunately, the previous administration fined a paltry 17 hospitals for failure to comply with the law.[2]

We strongly urge the administration to hold non-compliant hospitals accountable for flouting the Administration's rules and to increase the penalty for noncompliance. Price transparency will directly benefit patients and their families as well. Price transparency can substantially reduce healthcare costs

through competition and consumer choice. Published prices protect patients from overcharges, errors, and fraud and bring accountability to the U.S. healthcare system. They empower consumers to choose affordable care and direct the savings to productive uses.

Lower Prescription Drug Prices

Reform the PBM Industry

Spiraling drug costs are a large part of America's healthcare affordability problem. While there are many reasons for high and rising drug prices, the consolidation, vertical integration, and opaque business practices of large pharmacy benefit management (PBM) companies is a leading driver. The three largest PBMs process more than 80% of prescription drug claims in the U.S., giving them immense market power, and making it nearly impossible for employers to negotiate favorable contract terms on behalf of their employees. Further, the "Big 3" PBMs are part of giant vertically integrated healthcare corporations that also own their own pharmacy group purchasing organizations, specialty-, mail-order-, and retail pharmacies, and medical insurer products and provider groups. The rampant conflicts-of-interest and deeply opaque "black box" of PBM pricing is makes it nearly impossible for employers to purchase drugs effectively. The industry requires radical end-to-end transparency so employers and purchasers can understand where their employees' premium dollars are going.

Along with meaningful transparency, employers also strongly support policy reform that includes banning spread pricing and requiring 100% pass-through to plan sponsors and patients of rebates, discounts, fees, and other payments from drug manufacturers. Additionally, we support of policies to effectively de-link PBM profits from list prices for drugs, and to hold PBMs accountable in the same way plan sponsors are held accountable – as fiduciaries under ERISA.

To date, seven committees of jurisdiction across both chambers of Congress have voted overwhelmingly in favor of PBM transparency and reforms (in some instances voting unanimously or nearly unanimously to advance these policies). **In December 2024, Congress nearly passed legislation that would have enacted many of these reforms. We strongly urge you to support inclusion of the PBM reforms proposed in the December 2024 funding legislation in upcoming budget legislation slated for March of this year. Now is the time to enact real and lasting change.**

Ban Anti-Competitive Practices by Drug Makers

While PBM reform is essential, some drug manufacturers have continued to take action to stifle competition, maintaining effective monopolies on certain drug long after those drugs' initial patents and market-exclusivity have expired. Such practices include:

- Creating "patent thickets" (filing dozens of individual patents on a single drug to thwart competition)
- "Patent evergreening" (making minor modifications to drugs to extend patent life without adding value)
- "Product hopping" (introducing a newer version of a drug with little-to-no marginal benefit when the original patent expires)

These drug makers have successfully earned billions of dollars from employers and purchasers not by adding value to the healthcare system or patients, but simply by circumventing federal laws and

thwarting competition. **The National Alliance urges you to support legislation to ban such behavior to protect working families and bolster competition in the development of innovative therapies.**

Reform the 340B Drug Pricing Program

Created in 1992, as a targeted program intended to support safety-net providers, the 340B drug pricing program has grown into a massive and largely unregulated arbitrage opportunity for large hospitals and PBMs that drives up costs systemwide without meaningfully benefiting the vulnerable communities it was intended to serve. Today, 340B accounts for more than $65 billion in drug spending (at discounted prices) and is the second-largest federal drug program behind Medicare Part D, while continuing to grow exponentially.[3]

The 340B program allows participating hospitals to "buy low and sell high," purchasing medicines at a steep discount while charging patients with employer-sponsored insurance full price—resulting in profits at the expense of employers and working families and creating significant distortive effects across the market. The program increases costs for employers, purchasers, and working families in a number of ways including lost drug rebates to employers, higher-priced drugs being prescribed at 340B providers, and the impact of health system consolidation.[4]

Given the tremendous burden that the 340B program places on working families' paychecks and employers' bottom lines, we urge you to support legislation to rein in the program's unchecked expansion. Real reform would include provisions that improve transparency to ensure that bad actors are not abusing the program and refocus benefits on low-income patients while ensuring that working families and employers don't see increased healthcare costs,

Re-establish Competition in the Hospital Market

Stop Anti-Competitive Health System Mergers

After more than two decades of rampant consolidation among hospitals and health systems, nearly every metropolitan area is considered "highly consolidated" according to Federal Trade Commission (FTC) metrics and in four-in-five markets, one or two hospital systems control more than 75% of inpatient beds.[5] While the FTC has taken action to stop some anti-competitive mergers, it has taken action to stop only 5% of potentially anti-competitive mergers in the last 20 years.[6] A veritable mountain of academic and empirical data demonstrate that hospital system consolidation meaningfully raises prices on employers and working families without increasing access or quality.[7] **We strongly urge the administration to significantly expand FTC action against anti-competitive mergers among hospitals and health systems.**

Enact Site Neutral Payment

As noted above, site neutral payment would help eliminate this major incentive misalignment and provide purchasers with some relief from high and ever-increasing hospital costs. Site-neutral payment reform in Medicare would align payment rates between private physician practices and hospital outpatient departments. Additionally, it promotes fair billing practices, enabling accurate determination of where care is received. **While requiring site neutral payment policies in the commercial sector may be infeasible for Congress, enacting such policies for Medicare – the largest single payer of healthcare**

in the country – will dampen the market for further consolidation and could be used by commercial payers to negotiate lower prices for outpatient services at hospitals.

Ban Anti-Competitive Contracts

As noted above, rampant hospital consolidation has raised prices on American employers and consumers. One way dominant hospitals in consolidated markets leverage their market position is to demand anti-competitive contracts between themselves and health insurers in their market.[8]

Banning, and then strongly enforcing, anti-competitive contracting would benefit employers, purchasers, and working families by:

- Allowing employers to offer incentives for enrollees who choose high-quality and low cost providers
- Allowing employers to contract with the best hospitals and providers for their patients, without requirements to enter into additional contracts with other affiliated providers or hospitals
- Allowing purchasers to negotiate their own rates with other providers who are not party to the contract of the provider involved

We strongly urge you to support legislation to reestablish functional markets by banning anti-competitive contracts between health plans and hospital systems.

Rapidly Accelerate Value-Based Purchasing

An expansive body of evidence demonstrates that employer purchasers in the commercial market pay between 130-300% of Medicare for hospital services.[9] These hugely inflated costs are borne by employers and purchasers and passed on to working families through higher insurance premiums, increased deductibles, and lower wages. Despite significant efforts by employers and purchasers to ensure negotiated commercial hospital prices are fair and reasonable, the cost of hospital care continues to increase year-over-year, with negotiated rates soaring. However, growing evidence suggests that hospitals can maintain reasonable profit margins, operate efficiently, and continue to provide important community benefits if they charge the private market 150-200% of Medicare.[10]

This is the direct result of a fee-for-service payment and delivery system. Simply put, healthcare providers are paid more if they do more things to patients. Providers can further maximize revenues by increasing more market share, thereby decreasing – or in many cases outright eliminating – patient choice.[11] To mitigate the perverse incentives in the fee-for-service payment model and mitigate the impact of systemwide consolidation, your administration and Congress should take badly needed steps to accelerate the movement toward value-based purchasing. This requires reform at a deep level across the entire healthcare system.

More than 20 years into the value-based purchasing discourse, progress toward true value-based purchasing arrangements – with downside risk shared by providers and health plans has been disappointing. Today, far less than half of Medicare payments involve downside risk for providers and the numbers are even lower in the commercial sector. While meta-analyses have shown some Medicare value-based models have shown modest savings, across the entire healthcare system it is difficult to point to any meaningful reduction in the rate of growth. We believe payment and delivery systems built on two-sided risk or capitation models, with providers having accountability along with patients, are the

only types of systems that will be effective at eliminating the misaligned incentives inherent in a fee-for-service system.

While employers and purchasers can and do seek to enter into value-based payment programs, they are hampered by their relatively small market share. Even "jumbo" employers in the commercial space account for just a few percent of covered lives in any given geographic area and therefore have limited leverage to demand providers enter into value-based contracts. Only the Medicare program has the size to single-handedly drive systemic change across the system. **We encourage your administration to aggressively pursue universal uptake of value-based purchasing arrangements across all provider groups by the end of your Administration. Such a move would finally transform the healthcare system away from a broken fee-for-service model to one that focuses on enhancing the value proposition – higher quality and lower cost.**

Conclusion

Inflation remains a top concern for the American people and rightfully a top priority for the administration and Congress. We believe nothing would do more to stem systemic inflation and boost the economy than to successfully re-create market forces that reduce healthcare spending for employers, purchasers, and working families.

We appreciate the opportunity to provide our input. Our organization is uniquely positioned to help you understand the needs of employers who want to continue to provide high quality healthcare benefits to their employees and their families. We look forward to working with you to implement lasting and meaningful changes.

Sincerely,

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[1] Patient Rights Advocate, a non-partisan advocacy organization finds that only 21.1% of surveyed hospitals were in compliance, a steep decline from 36% in February, 2023. https://www.patientrightsadvocate.org/seventh-semi-annual-hospital-price-transparency-report-november-2024. Turquoise Health, a data analytics firm focused on hospital price transparency finds that 49.6% of hospitals meet basic legal requirements: https://turquoise.health/mrf_tracker

[2] Becker's Hospital Review, 2024: https://www.beckershospitalreview.com/finance/17-hospital-price-transparency-fines-from-highest-to-lowest.html

[3] Avalere, 2024: https://avalere.com/insights/340b-purchase-data-highlights-continued-program-growth

[4] National Alliance of Healthcare Purchaser Coalitions, 2024: https://www.nationalalliancehealth.org/wp-content/uploads/National-Alliance-Statement-for-the-Hearing-Record-340B-6.4.24.pdf

[5] Kaiser Family Foundation, 2024: https://www.kff.org/health-costs/issue-brief/one-or-two-health-systems-controlled-the-entire-market-for-inpatient-hospital-care-in-nearly-half-of-metropolitan-areas-in-2022/

[6] Brot-Goldburg *et al*, 2024: https://tobin.yale.edu/research/is-there-too-little-antitrust-enforcement-us-hospital-sector

[7] Daniel Arnold*, et al*, 2025: https://pubmed.ncbi.nlm.nih.gov/38652542/

[8] National Academy of State Health Policy, 2021: https://www.nashp.org/wp-content/uploads/2021/04/Anticompetitive-Contract-report-PDF-final-4-9-2021.pdf

[9] Congressional Budget Office, 2022: https://www.cbo.gov/publication/57778

[10] National Alliance of Healthcare Purchaser Coalitions, 2022: https://www.nationalalliancehealth.org/wp-content/uploads/NationalAlliance_HospTrans-Playbook_FINAL-09.28.22.pdf

[11] Kaiser Family Foundation, 2024: https://www.kff.org/health-costs/issue-brief/ten-things-to-know-about-consolidation-in-health-care-provider-markets/